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## *Economic Intelligence Weekly*

**Secret**

CIA No. 7696/73  
28 June 1973

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Note: Comments and queries on the contents of this publication are welcomed. They may be directed to

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## ECONOMIC INTELLIGENCE WEEKLY

### Notes

#### US Aluminum Scrap in Strong Demand

Heavy foreign demand for US aluminum scrap is contributing to sharp domestic price increases. During the first four months of 1973, US exports of aluminum scrap were 87% above the comparable 1972 period, and, since January 1973, US domestic scrap prices have risen by 25%. Japan, the major foreign buyer, has accounted for about one-half the increase in US exports this year. Other buyers are South Korea, Canada, and West Germany.

[REDACTED]

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#### Brazil's Soybean Bonanza

Brazil's just-completed soybean harvest is estimated at 4.9 million tons, up 47% from last year's crop. Brazil exports most of its output, ranking as the second largest supplier (after the United States). The bumper crop and record prices will result in soybean exports of about \$1 billion this year, compared with \$285 million in 1972. Because soybean traders already have discounted larger Brazilian shipments this summer, prices are likely to remain near the current level at least until October, when the US harvest will begin to be marketed. Brazilian officials are predicting a 1974 harvest of some 7 million tons, or about one-fifth of the 1972 US crop.

[REDACTED]

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#### Soviets Push for Better Terms in US Machinery Deals

The USSR is attempting to reduce its large trade deficit with the United States by seeking more favorable trade arrangements for Kama truck plant purchases. A visiting delegation of trade officials is trying to persuade potential sellers of US equipment for Kama to accept Soviet machine tools as part payment. In addition, the USSR is now financing most US equipment purchases with Eximbank and US commercial bank credits rather than paying cash, as was the case last year.

[REDACTED]

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#### China Interested in Canton Fair Reforms

Chinese commercial officers in the United States, dissatisfied with the results of the spring Canton Fair, are requesting advice from US business on ways to improve marketing procedures for the forthcoming October fair. High prices and slow business at the spring fair caused a large number of buyers to leave early or make only token purchases.

[REDACTED]

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## Argentina: Selected Economic Indicators

	1968	1969	1970	1971	1972	1973 <sup>1</sup>
	Percent					
Increase in output						
Real gross domestic product	4.6	7.9	0.2	3.8	4.1	4-6
Agriculture	-3.9	4.2	1.5	-2.7	-4.4	
Manufacturing	6.9	11.1	5.1	6.3	7.6	
Investment as a share of gross domestic product	15.2	13.6	14.1	17.4	18.0	
Increase in consumer prices	9.6	6.7	21.7	39.1	64.1	60-80
	Million US \$					
Exports	1,368	1,612	1,773	1,740	1,710 <sup>1</sup>	2,900
Imports	1,169	1,576	1,694	1,869	2,000 <sup>1</sup>	2,300
Trade balance	199	36	79	-129	-290 <sup>1</sup>	600
Foreign reserves end of year	773	553	686	283	465	

1. Estimated.

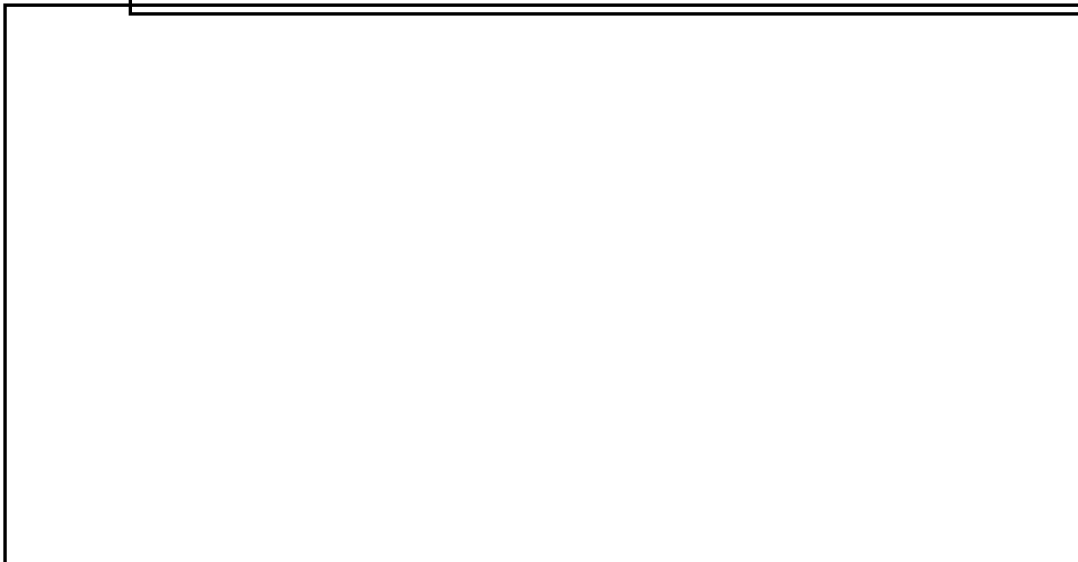
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### **Egypt Turns to US Companies for Pipeline Financing**

Egypt is seeking competitive bids from US firms for the financing and building of the 200-mile Suez-to-Alexandria (Sumed) pipeline, in the latest attempt to get construction started. Over the course of two years of negotiations with a French-led West European consortium, the Egyptians have been confronted with a substantial rise in the price of the project caused by escalating steel prices and general cost increases. Egypt hopes to get not only a lower bid from the US companies (because of the US cost advantage from dollar devaluation) but also more lenient repayment terms.

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### **Israel Freezes Prices**

The Israeli government has announced a three-month price freeze in an effort to defuse inflation as a major issue in next month's labor negotiations and the general elections later this year. The action followed a rash of actual and threatened strikes over wages. Up to now the government has been reluctant to move because of possible political repercussions. Inflation has accelerated from an annual rate of 12% to 13% in the past two years to a current rate of nearly 20%.

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## Articles

## Argentina's Return to Peronist Economic Policies

Foreign-owned firms and agricultural interests are the main targets of the Campora government's first economic moves. The package of 20 legislative proposals, which probably will soon be rubberstamped by Congress, also will substantially increase state control over the economy.

The government's proposals appear to go further in penalizing foreign interests than had been expected. Foreign ownership will be subject to Andean Pact Investment Code provisions, which call for a gradual transfer of equity to national interests. Profit remittances will be held to a 12-1/2% annual return on invested capital. All Argentine firms purchased since the military took power in 1966 will be nationalized, a move that will immediately affect three US-owned banks, among other enterprises. US interests in petroleum, mining, and insurance are vulnerable to further nationalistic measures, and all US direct investments (totaling \$1.4 billion) will be subject to stricter controls.

Other measures point to a damaging shift of resources from agriculture to industry. To reduce urban food costs, the government already has forced a 20% rollback on beef prices and frozen prices of other major items. The rural sector -- still the source of most Argentine exports -- faces laws permitting a government monopoly on beef and grain sales, a land tax based on potential productivity, and expropriation of underutilized farmland. At the same time, industry is to receive higher protective tariffs and credit subsidies.

Many of these steps are reminiscent of Peronist policies during the late 1940s and early 1950s. Urban labor and industry in that era were heavily favored at the expense of agriculture and foreign investment, a formula that led to economic dislocations from which the country has never fully recovered. This time the economy could encounter serious difficulties in short order because Argentina lacks the large foreign reserves that previously cushioned the impact of Peron's policies.

After a good performance in 1969 and stagnation in 1970, the economy has grown moderately while inflation has risen sharply. Although exports are up sharply this year -- because of bumper crops and high prices for grains and meat -- the political instability and violence that marked the Peronists' accession to power have already darkened the economic picture.

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## Soviet Livestock Up, Meat Down

The USSR's state and collective farms, which account for almost 60% of Soviet meat production, have successfully maintained their livestock herds through a winter of diminished feed supplies. The campaign has been costly to the consumer in the short run, and meat shortages have been widespread.

**Soviets Trim Meat Output  
to Build Livestock Herds**

	Meat Production	
	Million Tons	Per Capita (Kilograms)
1966-70 annual average	11.6	48.6
1970	12.3	50.7
1971	13.3	54.3
1972	13.6	54.9
1973		
Original plan	14.3	57.2
Revised plan	12.9	51.6

On 1 May, inventories in all major categories of livestock were higher than a year earlier. This was a distinct improvement over January, which had shown slippage in the numbers of hogs and sheep. The Soviet press conducted an intensive campaign during the winter to prevent the widespread distress slaughtering that had occurred after 1963's poor harvest. The campaign was aided by an early spring in much of the country, which allowed pasture growth to bolster dwindling winter feed supplies.

Although the successful wintering campaign will pay off eventually in higher meat output, the immediate effect has been to reduce supplies of meat below the 1971-72 levels. From January to May the output of industrially processed meat was about 10% below the same period last year. Embassy travelers and Soviet citizens report that supplies of meat were short and queues especially long at state retail outlets. Meat continues to be available at collective farm markets, but only at considerably higher prices. Rising personal incomes -- coupled with the leadership's policy of increasing herds to meet its ambitious 1974-75 livestock goals -- suggest that meat shortages will continue at least through summer.



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### High Prices Threaten US Petroleum Imports from Europe

Skyrocketing prices on the West European spot market threaten to deprive the United States of another source of petroleum products. To ease the price pressures and avoid domestic shortages, some countries may curtail exports, as Canada did recently. [REDACTED]

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During the last 12 months, West European spot market prices have risen by 130% for gasoline and 110% for home heating oils. US imports of West European petroleum products have increased sharply -- to about 10% of US imports -- and have helped to drive prices up. Gasoline imports in February 1973 amounted to 982,000 barrels, nearly three times the amount in all of 1972. Import of fuel oil in March amounted to 7 million barrels -- more than twice the March 1972 level.

Most of Western Europe's petroleum products are marketed under long-term contracts or through integrated company channels, with only marginal quantities being sold on the spot market. Escalating spot prices, however, present problems for the small West European retailers who obtain supplies on the open market. Moreover, high spot prices probably will encourage widespread price rises in newly negotiated long-term contracts.

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### North Vietnam's Reconstruction Activities

North Vietnam's reconstruction effort is moving ahead, mainly with aid from Communist allies. A new economic and military aid agreement for 1974 was signed in Peking on 8 June [redacted]

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[redacted]  
Non-Communist countries have contributed little thus far to reconstruction.

Press reports indicate construction activity at practically every important manufacturing and electric power facility damaged by the 1972 bombing. [redacted]

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[redacted] The Soviets are active at the large Thac Ba hydroelectric powerplant and the Uong Bi powerplant and in port construction at Haiphong. The Soviets are also assisting in constructing the important Da River dam intended for power production and flood control. Plans for a 120-megawatt powerplant, to be built by Czechoslovakia, apparently were completed in early June. The Chinese probably are at work on the Thai Nguyen Iron and Steel Combine, Bac Giang Chemical Fertilizer Plant, Nam Dinh Textile Plant, and associated power facilities.

In an effort to strengthen the reconstruction program, Hanoi announced on 14 June the creation of a new Ministry of Building -- a merger of the State Commission for Capital Construction and the former Ministry of Construction. The move appears designed to afford more centralized command of the nation's reconstruction effort.

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## US Share of World Coal Trade Declines

US exports of bituminous coal declined sharply in the first four months of 1973 despite rising demand by steel producers in Japan and Western Europe. Coal exports were down 16% from the comparable period in 1972.

The US competitive position has deteriorated partly because prices offered by other coal exporting countries are lower than those of the United States, where costs of production and rail transport have increased substantially. Another factor has been intensified effort by importing countries to diversify their sources of supply -- especially since 1970, when a temporary shortage of coking coal caused by a surge in world steel production led some US consumers to urge an embargo on exports of coal.

While US exports fell from 64 million tons in 1970 to 51 million tons in 1972, sales of the main US competitors in world coal markets were on the upswing. Australian exports rose from 17 million to 21 million tons, and Canadian exports from 4 million to 8 million tons. Poland, the world's second largest coal exporter, also increased its sales to the West to 17 million tons last year.

Further decline in the US share of world coal trade may be in prospect. For example, Brazil recently agreed to buy a minimum of 4 million tons of Polish coking coal in exchange for iron ore during 1974-80, thus ending the almost complete domination of the Brazilian coal import market by US suppliers. (UNCLASSIFIED)

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### World Grain Developments

Rice was traded this week only in small quantities and at high prices, reflecting the low level of exportable stocks. Most rice importing countries are not able to meet their immediate import needs. For example, Bangladesh, Indonesia, and the Philippines now face serious rice shortages, but are meeting minimum food needs with imports of other grains.

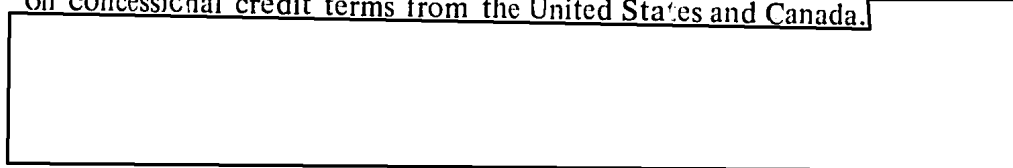


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The only substantial transaction this month has been China's agreement to to sell 100,000 tons of rice to Malaysia in exchange for rubber.

Reactions to the possibility of restrictions on US exports of scarce agricultural goods include efforts by a number of countries, in particular Japan, to step up purchases of wheat and feed grains in the United States for future delivery. India, on the other hand, is delaying purchases of grain needed for immediate shipment, hoping for lower prices and offers of grain on concessional credit terms from the United States and Canada.

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28 June 1973

MEMORANDUM FOR: Recipients of Economic Intelligence  
Weekly, CIA No. 7696/73, 28 June 1973

SUBJECT : Revision of Comparative Indicators  
Chart

Attached is a revision of the Comparative Indicators Chart, normally located inside the back cover of the Economic Intelligence Weekly. The following four new categories have been requested and are to be found in this and future versions of the chart: "Money-Market Rates," "Export Prices" (in US dollars), "Exports," and "Imports." The Indicators now have one page for domestic activity and one for external. Beginning with the 6 July issue, both pages (Unclassified) will be perforated for easy removal.

FOR THE DIRECTOR, OFFICE OF ECONOMIC RESEARCH:



Chief  
Production Staff

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Attachment:  
Comparative Indicators Chart

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## DOMESTIC ECONOMIC INDICATORS

GNP*	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since			Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier			1970	1 Year Earlier	3 Months Earlier
(Constant Market Prices)	Quarter				Previous Quarter					
United States	73 I	1.9	5.3	7.9	7.9	United States	May 73	1.1	4.8	7.0
Japan	73 I	3.6	9.4	16.0	15.2	Japan	May 73	0.9	3.8	12.3
West Germany	72 IV	1.8	2.9	4.7	7.4	West Germany	May 73	0.6	4.7	6.4
France	72 IV	1.8	5.3	4.3	7.4	France	Apr '73	0.8	6.2	12.0
United Kingdom	73 I	1.5	2.9	7.1	6.2	United Kingdom	May 73	1.0	6.0	5.3
Italy	72 IV	1.6	3.1	2.7	6.6	Italy	Apr 73	1.1	6.4	12.1
Canada	73 I	2.9	6.3	8.0	12.1	Canada	Mar 73	2.3	6.6	12.3

WHOLESALE PRICES					
(Industrial)					
United States	May 73	1.1	4.8	7.0	15.7
Japan	May 73	0.9	3.8	12.3	14.1
West Germany	May 73	0.6	4.7	6.4	7.1
France	Apr '73	0.8	6.2	12.0	20.2
United Kingdom	May 73	1.0	6.0	5.3	0
Italy	Apr 73	1.1	6.4	12.1	18.7
Canada	Mar 73	2.3	6.6	12.3	27.3

WHOLESALE PRICES  
(Industrial)

United States	May 73	1.1	4.8	7.0	15.7
Japan	May 73	0.9	3.8	12.3	14.1
West Germany	May 73	0.6	4.7	6.4	7.1
France	Apr 73	0.8	6.2	12.0	20.2
United Kingdom	May 73	1.0	6.0	5.3	0
Italy	Apr 73	1.1	6.4	12.1	18.7
Canada	Mar 73	2.3	6.6	12.3	27.3

## INDUSTRIAL PRODUCTION\*

United States	May 73	0.7	5.6	9.7	10.4
Japan	May 73	2.7	9.4	19.4	23.3
West Germany	Mar 73	-2.2	4.2	7.3	9.8
France	Apr 73	-2.6	6.6	7.9	-6.0
United Kingdom	Apr 73	0.4	4.3	9.1	17.0
Italy	Feb 73	-3.0	-0.8	-1.0	-21.2
Canada	Feb 73	2.0	6.9	10.2	13.7

## CONSUMER PRICES

United States	May 73	0.6	4.4	5.5	9.3
Japan	Apr 73	1.9	7.0	9.4	23.5
West Germany	May 73	1.3	6.1	7.8	8.3
France	Apr 73	0.7	5.8	6.7	6.0
United Kingdom	Apr 73	1.9	8.6	9.2	13.2
Italy	Apr 73	1.0	6.7	10.4	13.7
Canada	May 73	0.7	4.8	7.3	8.8

## RETAIL SALES\*

(Current Prices)

United States	May 73	1.5	11.6	11.8	14.7
Japan	Feb 73	1.7	11.6	20.3	33.9
West Germany	Mar 73	-5.7	9.1	5.9	14.2
France	Mar 73	4.1	6.3	7.0	6.7
United Kingdom	Feb 73	3.8	12.1	17.4	23.7
Italy	Jan 73	-8.3	8.1	11.9	3.3
Canada	Dec 72	-0.5	9.3	10.1	9.9

## MONEY SUPPLY\*

United States	May 73	1.0	7.6	6.7	5.6
Japan	Mar 73	2.9	18.9	27.5	29.9
West Germany	Apr 73	-0.6	12.2	9.5	6.9
France	Mar 73	0.8	12.5	9.9	-3.4
United Kingdom	Apr 73	2.2	12.2	13.1	19.1
Italy	Nov 72	2.0	20.0	18.7	23.2
Canada	May 73	-2.0	13.8	8.6	0

## MONEY-MARKET RATES

Representative Rates	Latest	Percent Rate of Interest		
		12 Months Earlier	3 Months Earlier	1 Month Earlier
United States	Jun 22	7.50	4.63	6.50
Japan	Jun 18	6.50	4.75	5.50
West Germany	Jun 20	13.50	4.50	8.75
France	Jun 22	7.83	3.75	7.62
United Kingdom	Jun 8	7.90	3.79	7.75
Canada	Jun 22	6.88	5.25	5.25
Euro-Dollars	Jun 22	8.94	5.25	8.56

\*Seasonally Adjusted

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## EXTERNAL ECONOMIC INDICATORS

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
EXPORT PRICES (US\$)					
United States	Apr 73	1.3	5.6	10.0	18.0
Japan	Feb 73	4.2	9.2	13.7	16.1
West Germany	Mar 73	7.4	11.0	12.4	52.5
France	Dec 72	4.9	8.4	7.1	16.0
United Kingdom	Apr 73	1.8	9.9	4.2	40.4
Italy	Dec 72	0.2	6.2	4.2	2.5
Canada	Dec 72	0.3	4.0	6.9	5.0

## EXPORT PRICES

(National Currency)

United States	Apr 73	1.3	5.6	10.0	19.0
Japan	Feb 73	0.4	6.8	7.4	0
West Germany	Mar 73	1.7	1.0	0.5	-5.1
France	Dec 72	4.7	4.3	0.5	18.8
United Kingdom	Apr 73	1.8	8.5	9.6	15.4
Italy	Dec 72	0	3.2	0.9	3.8
Canada	Dec 72	1.0	2.0	6.1	10.3

## IMPORT PRICES

(National Currency)

United States	Apr 73	5.5	9.3	16.5	40.4
Japan	Feb 73	-2.0	-0.6	5.0	5.5
West Germany	Mar 73	-0.8	-0.2	3.2	5.0
France	Dec 72	8.1	4.7	0.2	17.2
United Kingdom	Apr 73	2.4	10.2	22.9	36.9
Italy	Dec 72	0.9	5.1	3.7	7.4
Canada	Dec 72	1.3	2.7	4.4	6.8

## OFFICIAL RESERVES

Billion US \$

	Latest Period	Percent Change from		
		End of	June 1970	1 Year Earlier
United States	May 73	14.0	16.3	13.3
Japan	May 73	15.9	4.1	18.0
West Germany	May 73	32.2	8.8	19.9
France	May 73	11.0	4.4	8.5
United Kingdom	May 73	6.7	2.8	7.9
Italy	Apr 73	6.4	4.7	4.3
Canada	May 73	5.9	4.3	6.0

## EXPORTS\*

(f.o.b.)

Latest Period	Million US \$	Cumulative (Million US \$)	
		1973	1972
United States	Apr 73	5,487	Jan-Apr
Japan	May 73	2,845	Jan-May
West Germany	Apr 73	5,048	Jan-Apr
France	May 73	3,202	Jan-May
United Kingdom	May 73	2,303	Jan-May
Italy	Apr 73	1,491	Jan-Apr
Canada	Apr 73	1,983	Jan-Apr

## IMPORTS\*

(f.o.b.)

Latest Period	Million US \$	Cumulative (Million US \$)	
		1973	1972
United States	Apr 73	5,291	Jan-Apr
Japan	May 73	2,574	Jan-May
West Germany	Apr 73	3,797	Jan-Apr
France	May 73	3,215	Jan-May
United Kingdom	May 73	2,832	Jan-May
Italy	Apr 73	1,700	Jan-Apr
Canada	Apr 73	1,747	Jan-Apr

## TRADE BALANCE\*

(f.o.b./f.o.b.)

Latest Period	Million US \$	Cumulative (Million US \$)	
		1973	1972
United States	Apr 73	198	Jan-Apr
Japan	May 73	271	Jan-May
West Germany	Apr 73	1,251	Jan-Apr
France	May 73	-13	Jan-May
United Kingdom	May 73	-529	Jan-May
Italy	Apr 73	-209	Jan-Apr
Canada	Apr 73	230	Jan-Apr

## EXCHANGE RATES (Spot Rate)

As of 22 June 1973	US \$ Per Unit	Percent Change from			
		Dec 66	18 Dec 71	19 Mar 73	15 Jun 73
Japan (Yen)	0.0038	38.86	18.29	-0.71	-0.16
West Germany (Deutsche Mark)	0.3917	55.81	28.23	10.62	0.93
France (Franc)	0.2375	17.63	20.82	7.76	1.50
United Kingdom (Pound Sterling)	2.5751	-7.72	-1.17	4.64	-0.25
Italy (Lira)	0.0017	5.12	-2.15	-4.92	3.12
Canada (Dollar)	1.0019	8.62	0.41	0.42	0.20

## TRADE-WEIGHTED EXCHANGE RATES

As of 22 June 1973

	Percent Change from			
	Dec 66	18 Dec 71	19 Mar 73	15 Jun 73
United States	-18.78	-9.27	-2.51	-0.36
Japan	23.89	9.90	-2.18	-0.34
West Germany	27.82	11.04	8.06	-0.08
France	-8.04	5.09	2.85	0.48
United Kingdom	-27.43	-13.57	0.68	-0.84
Italy	-19.61	-18.42	-11.57	2.32
Canada	4.44	-2.09	-0.44	0.12

\*Seasonally Adjusted

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